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REPORT AND ACCOUNTS 1967
THE GOVERNOR AND COMPANY
OF ADVENTURERS OF ENGLAND
TRADING INTO HUDSON'S BAY
298th ANNUAL GENERAL COURT

THE COMPANY

(A BRIEF DESCRIPTION)

HISTORY

Hudson's Bay Company was incorporated in 1670 by Royal Charter, which granted the Company ownership and exclusive trading rights over all the lands draining into Hudson Bay. For its first 200 years the Company was engaged solely in the fur trade. Then in 1870, its territories were transferred to Canada in exchange for farm land in the Prairie Provinces. All this land has since been sold, but mineral rights on 4½ million acres have been retained. Toward the end of the 19th century, general stores evolved from trading posts and today retailing is the Company's most important activity.

RETAIL STORES

There are seven large downtown department stores in major Canadian cities, 26 medium-size department stores and 218 northern stores in smaller communities across the country. These figures include eleven stores operated under the Morgan's name.

FUR

Hudson's Bay Company is the world's largest fur trading company with auction houses in London, Montreal and New York. In addition to consignment sales which account for the greater part of fur volume, raw furs are purchased by the Company at northern stores throughout Canada and sold at auction houses.

OIL

Petroleum and natural gas rights on 4½ million acres are optioned to Hudson's Bay Oil and Gas Company Limited, an associated company in which Hudson's Bay Company owns a 21.9% share interest.

WHOLESALE

A range of products carrying the Company's name, including blankets and spirits, is marketed throughout Canada and the United States. The Company is also Canada's largest wholesale distributor of tobacco products.

STAFF

The Company employs approximately 14,000 people.

SUBSIDIARY COMPANIES

(WHOLLY OWNED)

CANADA

HENRY MORGAN & CO. LIMITED

Operates eleven stores in Eastern Canada

HENRY MORGAN PROPERTIES LIMITED

Property owning company

HUDSON'S BAY COMPANY ACCEPTANCE LIMITED

Purchases deferred payment accounts

HUDSON'S BAY COMPANY INVESTMENTS LIMITED

Investment holding company

HUDSON'S BAY COMPANY PROPERTIES LIMITED

Property owning company

RUPERT'S LAND TRADING COMPANY

Property owning company

RUPERT'S LAND TRADING COMPANY (QUEBEC) LTD.

Property owning company

SCALES & ROBERTS LIMITED

Wholesale distributors

THE H. FORTIER COMPANY LIMITED

Wholesale distributors

UNITED STATES OF AMERICA

HUDSON'S BAY COMPANY INC.

Wholesale distributors of HBC "Point" Blankets, whiskies and rums

HUDSON'S BAY COMPANY FUR SALES INCORPORATED

Fur brokers

UNITED KINGDOM

BEAVER HOUSE LIMITED

Property owning company

HUDSON'S BAY COMPANY FUR SALES LTD.

Fur brokers

HUDSON'S BAY COMPANY OF SCOTLAND LTD.

Wholesale distributors of HBC whiskies and rums

HUDSON'S BAY RECORD SOCIETY LTD.

Publishers of archives of Hudson's Bay Company

HEAD OFFICE

Beaver House, Great Trinity Lane, LONDON E.C.4., England

REGISTRAR

Glyn, Mills & Co., Salisbury Square House, LONDON E.C.4., England

HEAD OFFICE FOR CANADA

Hudson's Bay House, 79 Main Street, WINNIPEG 1, Manitoba

CANADIAN REGISTRAR

The Royal Trust Company, TORONTO, MONTREAL and WINNIPEG

NOTICE OF MEETING

1. The 298th ANNUAL GENERAL COURT of the Governor and Company of Adventurers of England trading into Hudson's Bay will be held at Beaver Hall, Garlick Hill, London, E.C.4, on 19th May, 1967, at 11:45 a.m., to receive the Accounts for the year ended 31st January, 1967, together with a report from the Board.

2. Resolutions will be proposed at the Court:

(a) For payment on 26th May, 1967, of a final dividend for the year ended 31st January, 1967, at the rate of 10½% to Proprietors registered as Shareholders on 17th April 1967. **(Resolution No. 1)**

(b) To approve and adopt the Report, Balance Sheet and Profit and Loss Account for the year ended 31st January, 1967, including the Group Accounts. **(Resolution No. 2)**

3. The following Director was appointed during the year by the Board and now retires but being eligible is proposed for re-election as a member of the Board:—

Donald Gordon, C.M.G., LL.D., D.C.L.

(Resolution No. 3)

4. Directors retiring by rotation and proposed for re-election as members of the Board are:—

T. Norbert Beaupré

(Resolution No. 4)

The Rt. Hon. Lord Cobbold, P.C., G.C.V.O.

(Resolution No. 5)

J. E. H. Collins, M.B.E., D.S.C.

(Resolution No. 6)

J. R. Murray (Managing Director)

(Resolution No. 7)

C. Gordon Smith

(Resolution No. 8)

5. Mr. I. P. R. Napier, M.C., also retires by rotation but does not seek re-election.

6. Messrs. PEAT, MARWICK, MITCHELL & CO., having notified the Company that they are willing to continue as Auditors, a Resolution will be proposed at the Court to fix their fee.

(Resolution No. 9)

7. Transfer books will be closed from 18th April to 2nd May, 1967, inclusive.

BEAVER HOUSE
GREAT TRINITY LANE,
LONDON, E.C.4.
24th April, 1967

By Order of the Board
R. A. REYNOLDS
Secretary

Hudson's Bay Company

INCORPORATED 2ND MAY 1670

REPORT AND ACCOUNTS

TO BE LAID BEFORE THE PROPRIETORS AT THE 298th ANNUAL GENERAL COURT AT BEAVER HALL, GARLICK HILL, LONDON E.C.4, ON FRIDAY 19th MAY, 1967 at 11:45 A.M.

This Canadian dollar version of the Report and Accounts has been prepared for the convenience of Proprietors resident in North America. The original sterling accounts are to be laid before the Proprietors at the 298th Annual General Court. Proprietors wishing to obtain a copy of the sterling Report and Accounts should write to The Secretary, Canadian Committee, Hudson's Bay House, 79 Main Street, Winnipeg 1, Manitoba.

BOARD

THE RT. HON. VISCOUNT AMORY, P.C., G.C.M.G., T.D., D.L.

Governor

T. NORBERT BEAUPRÉ

THE RT. HON. LORD COBBOLD, P.C., G.C.V.O.

J. E. H. COLLINS, M.B.E., D.S.C.

E. O. FAULKNER, M.B.E.

DONALD GORDON, C.M.G., LL.D., D.C.L.

G. R. HUNTER, Q.C.

W. J. KESWICK

D. E. KILGOUR

Chairman Canadian Committee

J. G. LINKS, O.B.E.

J. BARLETT MORGAN

J. R. MURRAY

Managing Director

I. P. R. NAPIER, M.C.

JAMES A. RICHARDSON

R. E. SHEEN

Deputy Managing Director

C. GORDON SMITH

H. W. SUTHERLAND

Deputy Managing Director

GRAHAM F. TOWERS, C.M.G.

CONSOLIDATED FINANCIAL SUMMARY

HUDSON'S BAY COMPANY YEARS ENDED 31st JANUARY

	1967	1966
	\$	\$
Sales	405,174,000	370,611,000
Profit before taxes	25,104,000	23,157,000
Taxation on profits	11,640,000	10,848,000
Net profit	13,464,000	12,309,000
Cost of dividends	7,929,000	6,420,000
Estimated transitional relief	2,250,000	1,110,000
Fixed assets and trade investments	92,085,000	82,149,000
Net current assets	90,975,000	94,677,000
Total assets	183,060,000	176,826,000

OPERATING RESULTS BEFORE TAXES

Retail	— Sales	334,905,000	307,626,000
	Profit	17,922,000	16,428,000
Fur	— Sales and consignments	116,082,000	116,010,000
	Profit	1,497,000	1,884,000
Wholesale	— Sales	62,979,000	56,121,000
	Profit	2,007,000	1,371,000
Royalties		2,025,000	1,827,000
Trade investment income		1,653,000	1,647,000

Notes: (i) This year's results include additional four months' sales and profits of certain Northern Stores whose year end has been changed to 31st January.
(ii) The cost of dividends last year included the interim dividend net.

REPORT TO PROPRIETORS

The Company has experienced another good year despite difficulties in the world fur markets. Total sales achieved a new record.

STAFF

Once again the Board wishes to pay tribute to the many thousands of members of the Staff to whose enthusiasm and energy the Company owes its present vigorous and competitive condition. Proprietors will share the pride which the Board feels in the achievements of our Staff and the high standards of service they give to customers throughout the Company's manifold operations.

ACCOUNTS

Sales

Total sales this year increased to \$405,174,000. This figure includes four months' additional sales of \$9,765,000 resulting from the change of year end of Inland and Arctic Northern Stores from September, 1966, to January, 1967. On a comparable basis sales increased by 6.7%. In addition fur consignment sales amounted to \$108,792,000, virtually unchanged from last year.

Profit

Profit before tax amounted to \$25,104,000 against \$23,157,000 in the previous year. Net profit for the year was \$13,464,000 or 99¢ per share. This includes additional Northern Stores profits of \$309,000. On a comparable basis profits after tax increased \$846,000 over the \$12,309,000 profit last year.

Dividends and Taxation

The Company paid an interim dividend of 9% in October, 1966. The Board now proposes a final dividend payable on 26th May, 1967, of 10½%, making a total of 19½%, the same as last year.

As a result of the United Kingdom Finance Act,

1965, the Company lost its Overseas Trade Corporation status from April, 1966, and became liable to United Kingdom Corporation Tax, subject to double taxation relief for taxes paid in Canada. Relief against taxes withheld from dividends was discontinued, but to mitigate the impact the United Kingdom Government introduced a measure of temporary transitional relief. In the year under review estimated relief of \$2,250,000 has been taken into the accounts. This level of relief is due to continue for a further year, after which it will taper off to nil over the succeeding five years.

BALANCE SHEET

Fixed Assets

Net fixed assets at 31st January, 1967, were \$81,777,000, an increase of 14% over the previous year. Capital expenditure reached a record level of \$16,194,000 made up of \$10,170,000 on land and buildings and \$6,024,000 on equipment and transport. Depreciation rose to \$5,613,000.

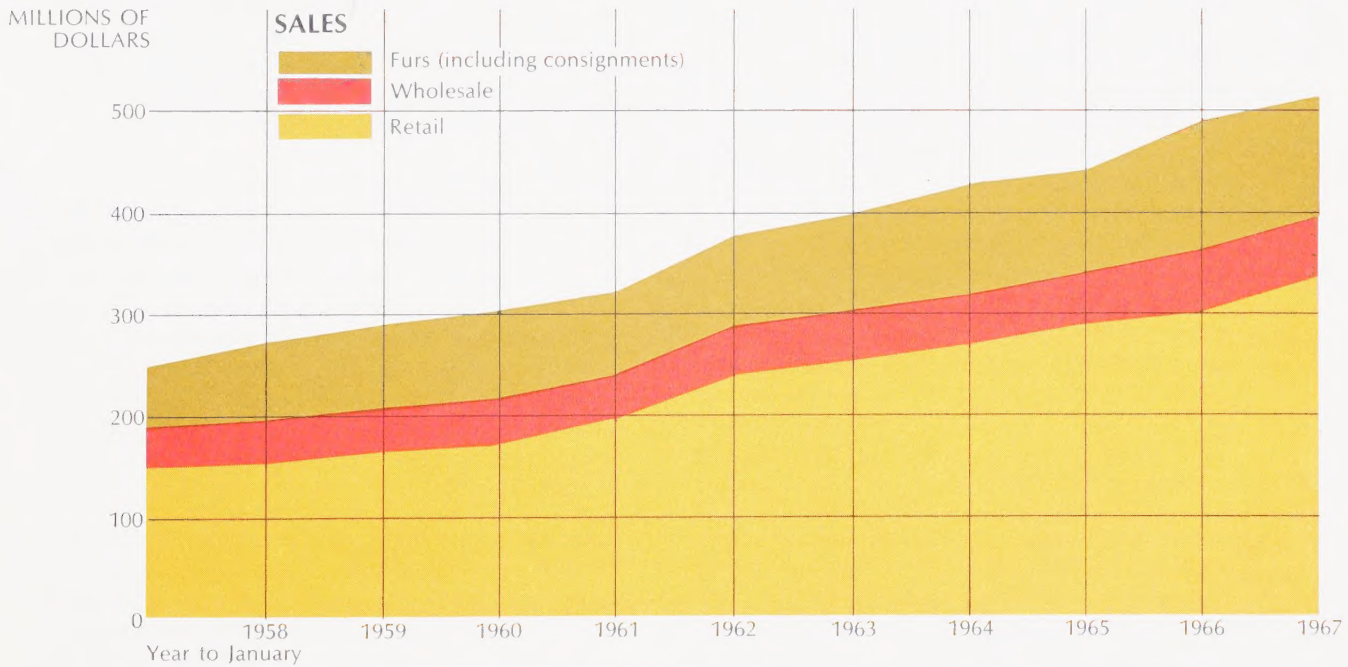
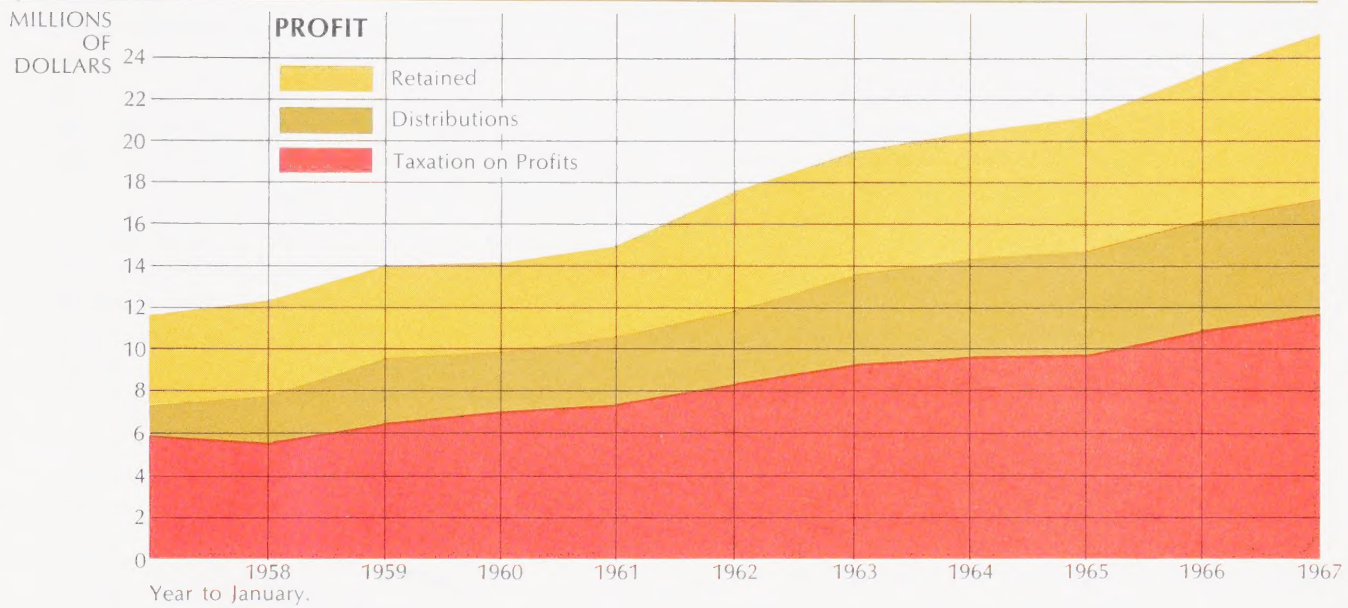
Provision for Staff Retirement

This year \$777,000 representing further past service funding of the Company's Pension Plans has been charged against the provision for Staff Retirement. The balance in the provision is expected to be adequate to cover the remaining liability.

TRADING

Canada's economic growth in 1966 continued strong with an increase in the gross national product in excess of 10%, of which 6% represented growth in real terms. Capital and consumer spending, farm income and exports all climbed to new levels. The inflationary pressures which appeared in the last half of the previous year developed further during 1966. The year was marked by several major labour disputes and wage settlements often of a con-

PROFIT AND SALES



siderably greater magnitude than in previous years. Inevitably there has been a rise in the cost of goods and services.

The effect of these increases is still working its way through the economy and is a source of some concern in regard to the outlook for the Canadian economy during the remainder of the year.

Department Stores

The Sales pattern varied during the year with total sales rising by 6%. The increase in the first half of the year was noticeably higher than in the second half. During 1966 the Canadian economy continued to enjoy a very high level of activity, yet as the year drew to an end the public began to feel some concern as to how long these conditions would continue. Consumers became more cautious in their purchases and this led to the sales increase in the last few months of the year being somewhat lower than generally expected.

The three year construction programme at Morgan's downtown store in Montreal is nearing completion. This \$13,500,000 project included a store extension of 152,000 square feet and a Parkade with a capacity of 700 cars. Basement space previously used for non-merchandising activities has been converted into a lower price self-service store. This store called the Bon Marché opened in September and proved an immediate success. The opening a month later of Metro, Montreal's new underground railway system with direct access to the store, also contributed to a substantial increase in customer traffic.

Construction has continued on schedule on the new downtown store in Regina to be opened early in 1968. In Saskatoon, contractors began work on a new 485 car Parkade and the addition of a fourth floor to the adjacent down-

town store, both due to be completed in the Fall of 1967.

A 200,000 square foot service building was opened in Edmonton, Alberta. This has incorporated a high degree of automation for the movement of merchandise.

A strike delayed construction seriously at Prince George, B.C., where the store extension and Parkade will now open in the Spring of this year. In Richmond, a suburb of Vancouver, the Company has purchased a site on which it is intended to build a branch store to be opened in 1969.

With the completion of current projects, the Company's major downtown stores — which have been maintained through the years in modern, up-to-date condition by regular annual expenditures on refixturing and redecoration — will all have convenient parking facilities. It is expected that future retail expansion will in the main be concentrated in the growing suburban markets of cities already served by the Company.

Northern Stores

Higher merchandise sales and profits in the Northern Stores reflected greater activity in the North and full employment in Canada's natural resources industries. Greater volume, together with more efficient transportation systems, has made possible economies in the delivery and sale of merchandise to the numerous communities throughout the North which are dependent on the Company for so many of their needs.

Nine store extensions were completed during the year, the largest of which were at Happy Valley, Labrador; Moose Factory, Ontario; and Snow Lake, Manitoba. New stores were opened at Forestville and Deception Bay in Que-

bec, and Sweet Grass, Alberta. In addition, four older stores were replaced with modern buildings.

With the development of better communications it has been possible to change the year end of 142 smaller and isolated stores from 30th September to 31st January. This completes a three phase programme to bring the whole of the Northern Stores' operations into line with the rest of the Company.

Wholesale

Results of the Wholesale Department again showed substantial improvement and reflect credit on the energy with which its operations have been conducted. This operation continued to benefit from stable market conditions in tobacco products and increased demand for the Company's wines and spirits. The Department now operates seventeen branches spread throughout Canada.

Fur

Proprietors have often been reminded in the past that the fur business is volatile and subject to wide swings in demand and equally

wide fluctuations in price. Last year provided an example of this characteristic.

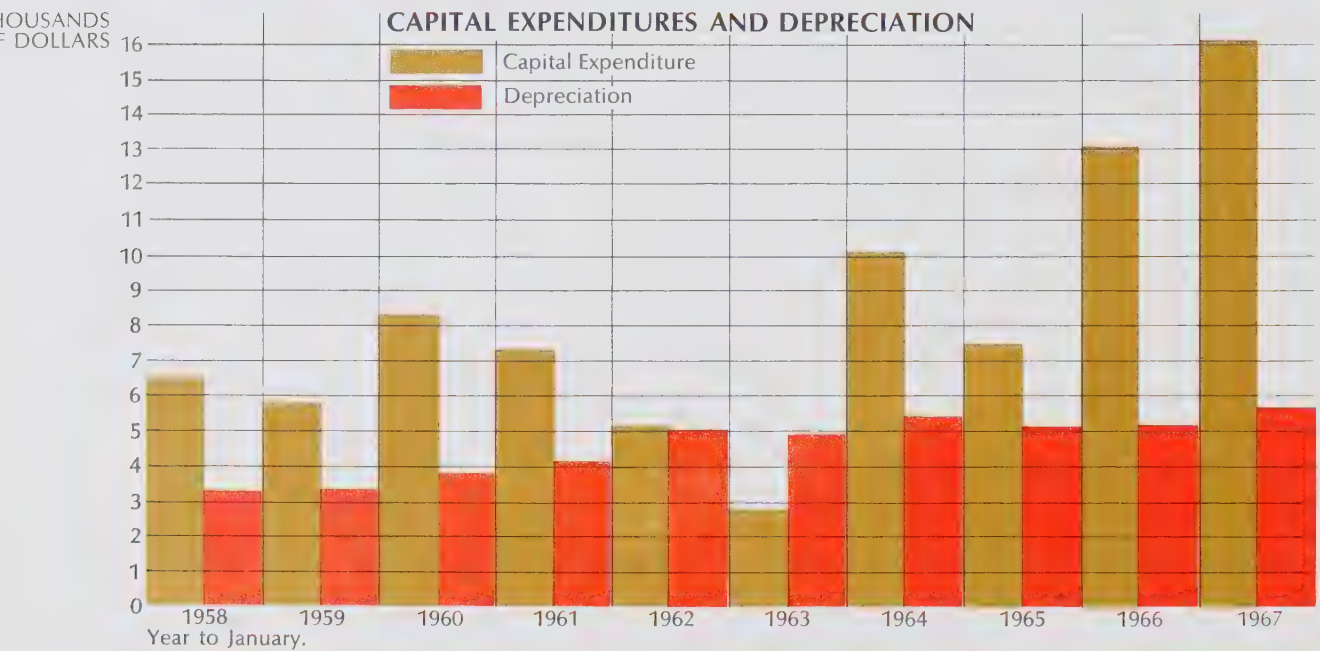
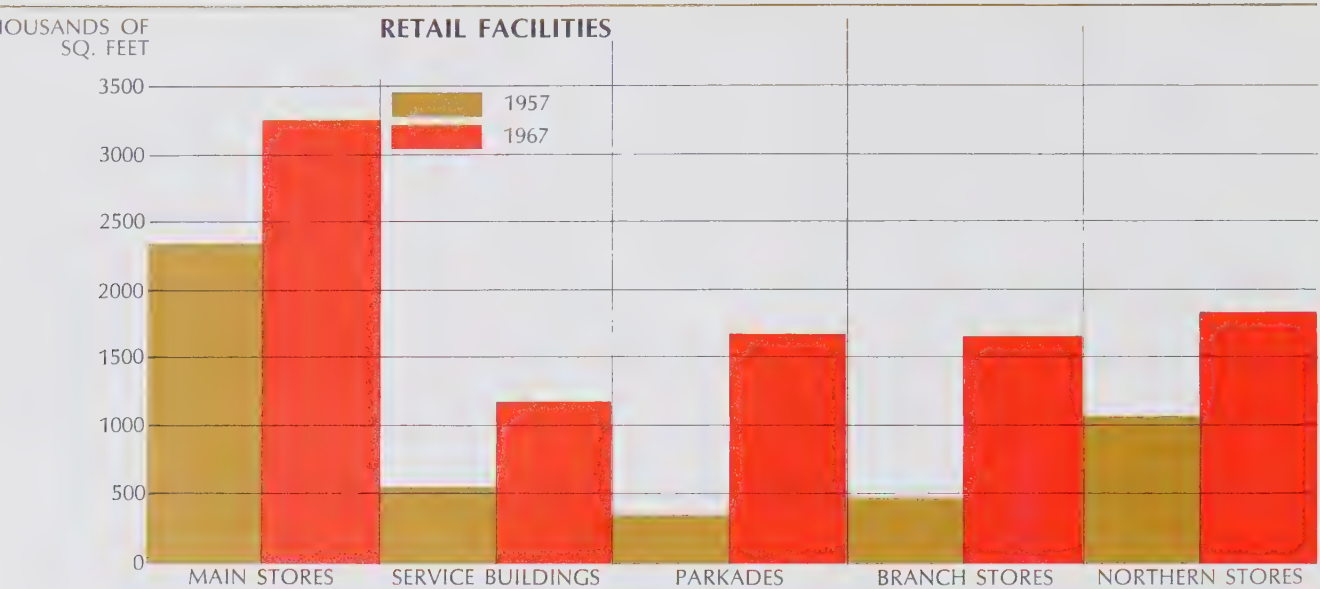
When the year opened prices were strong with all important varieties moving briskly and these conditions continued throughout the Spring. During the Summer and Fall, however, prices weakened sharply. The new season which opened in December established a marketing pattern almost the reverse of the last year's experience. Auction offerings of the two major articles — Persian lamb and ranched mink — faced greater uncertainty in a trade beset with problems of finance at prices 20% - 25% below the previous year. Sales of furs in London, New York and Montreal which had totalled \$36,000,000 in December and January a year ago, declined 40% to \$21,000,000 in the last two months of the current year with far larger stocks on hand for disposal than usual.

The combination of these sluggish sales in the last two months of the Company's financial year and the higher expenses incurred in handling larger quantities of ranched mink resulted in profits being lower by 20%.

SOURCE AND USE OF FUNDS

	Year to 31st January	
	1967	1966
	\$	\$
SOURCES OF FUNDS		
Profits after tax	13,464,000	12,405,000
Depreciation	5,613,000	5,166,000
Transitional tax relief	2,250,000	1,110,000
<i>Increase in bonds</i>	—	15,000,000
	<u>21,327,000</u>	<u>33,681,000</u>
USES OF FUNDS		
Net additions to fixed assets	15,549,000	12,912,000
Redemption of bonds	1,659,000	558,000
Cost of dividends	7,929,000	6,420,000
Increase (decrease) in cash	(21,897,000)	19,548,000
Increase (decrease) in other net assets	18,087,000	(5,757,000)
	<u>21,327,000</u>	<u>33,681,000</u>

RETAIL FACILITIES CAPITAL EXPEDITURES AND DEPRECIATION



Note: Thousands Of Dollars should read Millions Of Dollars.

A substantial portion of the Company's own collection of wild fur was marketed during the period of declining prices with the result that the profit from this operation was also lower.

Oil

During 1966 Hudson's Bay Oil and Gas Company, owned 21.9% by Hudson's Bay Company, experienced another year of substantial growth in almost every phase of its operations. Net earnings and net cash income from operations established new records; production and sales of crude oil, natural gas liquids, natural gas and sulphur all reached new levels; crude oil and natural gas reserves were significantly enlarged. Capital expenditures for expansion and growth were larger than in any previous year except 1963 when they included the cost of acquiring two established producing companies.

Production of crude oil, 36,000 barrels per day, and natural gas liquids, 6,500 barrels per day, increased by 8.5% and 13.2% respectively. Sales of natural gas at 170 million cubic feet per day were ahead 22.6% and sulphur production increased 12.5% to 380 long tons per day.

Additions to reserves from discoveries, exten-

sions and revisions exceeded production by a very substantial margin.

Net earnings for the year increased by 13.1% to \$17,371,000 or 95 cents per share. In view of the continuing heavy demands for capital investment, the annual dividend was maintained at the 40 cents per share rate established in 1965 as a result of which Hudson's Bay Company again received \$1,603,000.

BOARD

The Board has appointed Mr. Donald Gordon a Director of the Company. Mr. Gordon has had wide experience in the public and business life of Canada. His appointments have included Deputy Governor of the Bank of Canada, Chairman of the Wartime Prices and Trade Board, and most recently 16 years of service as President of the Canadian National Railways. The Board is confident his experience and judgment will be of special value to the Company.

After more than 33 years' service as a Director of the Company, Mr. I. P. R. Napier, who this year retires by rotation, is not seeking re-election. The Board desires to record its warm appreciation of his services over a long period during which the Company has grown impressively in size and prosperity.

21st March, 1967

On behalf of the Board,
AMORY
Governor

The eight storey extension to Morgan's downtown store in Montreal, containing 150,000 square feet of additional space, was completed last year. The older section was extensively renovated with new lighting, floor covering, perimeter and fixtures having been installed throughout the selling floors. Bon Marché, a new low-price basement store, extends under the street, seen in the foreground, to connect directly with the Parkade.



The \$3,000,000 Morgan's Parkade directly across the street from the downtown store was also completed in 1966. The Parkade holds 700 cars on 12 levels, four of them underground. Space on the main floor is leased to six retail stores. An entrance to Metro, Montreal's new underground railway system, may be seen in the left foreground.



Montreal's first 12 miles of Metro were opened last October. From the McGill Station (upper left) there is a direct entrance to Morgan's Bon Marché. Vertical transportation at Morgan's has been dramatically improved. Eighteen new escalators, one of which is shown (upper right), have been added to 12 existing ones. Bon Marché, featuring lower priced clothing, housewares, notions and other merchandise, was opened last September to an enthusiastic response by Montreal shoppers. This (lower left) is the shoe section. The Ski Shop (lower right) is typical of specialty boutiques on the Fashion Floor.



Strategically located in the new section on the main floor of Morgan's is the Men's Wear Department (upper left), richly panelled and carpeted. Conventional attire is complemented by the latest fashions from Carnaby Street. Three new restaurants have been opened for the convenience of Morgan's shoppers. Shown here (upper right) is the entrance to the elegant Regency Room. La Soupière (lower left), with its timber beamed ceiling, is a popular, quick service, limited menu lunch bar. Dramatic braided ovals, hooked rectangles and traditionally woven squares from many countries, are piled high in the Rug Department (lower right) on the 5th floor of the store extension.



CONSOLIDATED BALANCE SHEET

HUDSON'S BAY COMPANY AND SUBSIDIARIES 31st JANUARY, 1967

	1967		1966	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	2,778,000		9,954,000	
Short term securities at market value	3,210,000		10,749,000	
Accounts receivable	85,197,000		75,270,000	
Merchandise inventories (Note 6)	61,251,000	152,436,000	55,014,000	150,987,000
TRADE INVESTMENTS at cost (Note 5)				
Hudson's Bay Oil and Gas Co. Ltd.	10,095,000		10,095,000	
Other	213,000	10,308,000	213,000	10,308,000
FIXED ASSETS (Note 10)				
Land and buildings	68,988,000		61,536,000	
Equipment and transport	12,789,000	81,777,000	10,305,000	71,841,000
AMORY				
W. J. KESWICK				
Directors				
		\$244,521,000		\$233,136,000

		1967		1966
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank overdrafts	8,568,000		1,386,000	
Accounts payable and accrued expenses	37,284,000		39,159,000	
Income taxes payable (Note 4)	6,381,000		5,760,000	
Proposed dividends	4,269,000	56,502,000	4,269,000	50,574,000
STAFF RETIREMENT				
		4,959,000		5,736,000
BONDS AND DEBENTURES OF SUBSIDIARIES (Note 11)				
		36,060,000		37,719,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Authorized—£15,000,00				
Issued—13,553,428 ordinary shares of £1 each	40,659,000		40,659,000	
CAPITAL RESERVES (Note 2)				
General	15,366,000		15,258,000	
REVENUE RESERVES (Note 3)				
General	90,975,000	147,000,000	83,190,000	139,107,000
		\$244,521,000		\$233,136,000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

HUDSON'S BAY COMPANY AND SUBSIDIARIES FOR YEAR ENDED 31st JANUARY, 1967				
	1967		1966	
	\$	\$	\$	\$
CONSOLIDATED PROFIT (Note 7) after charging, and crediting income from, the following items:		25,104,000		23,157,000
	1967		1966	
	\$		\$	
Depreciation (Note 8)	5,613,000		5,166,000	
Interest on bonds and debentures	2,106,000		1,842,000	
Net short term interest	342,000		120,000	
Directors' emolu- ments (Note 12)	375,000		366,000	
Trade investments	1,653,000		1,647,000	
Royalties	2,025,000		1,827,000	
TAXATION ON CURRENT PROFITS (Note 4)				
U.K. corporation tax	6,105,000		294,000	
U.K. income tax	—		1,521,000	
	6,105,000		1,815,000	
Less estimated double taxation relief	5,850,000		1,509,000	
	255,000		306,000	
Canadian and U.S. taxes	11,385,000	11,640,000	10,542,000	10,848,000
PROFIT AFTER INCOME TAXES		\$13,464,000		\$12,309,000
APPROPRIATION OF PROFIT				
Parent Company				
Interim dividend (gross)	3,660,000		3,660,000	
Proposed final dividend (gross)	4,269,000	7,929,000	4,269,000	7,929,000
Less tax deducted from dividends and retained		—		1,509,000
		7,929,000		6,420,000
Less estimated overspill relief (Note 4)		2,250,000		1,110,000
		5,679,000		5,310,000
Increase in earned surplus		2,712,000		1,869,000
		8,391,000		7,179,000
Subsidiaries				
Increase in earned surplus		5,073,000		5,130,000
		\$13,464,000		\$12,309,000

REPORT OF THE AUDITORS TO THE PROPRIETORS

We have audited the annexed Balance Sheet and have obtained all the information and explanations which we considered necessary. Proper books have been kept and proper returns received from branches and the Balance Sheet is in agreement therewith.

We have examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account.

In our opinion the Balance Sheet and the Consolidated Accounts comply with the requirements of the Companies Act, 1948, and together with the notes thereon give respectively a true and fair view of the state of the Company's affairs at 31st January, 1967, and a true and fair view of the state of affairs and of the profit of the Group.

11, Ironmonger Lane,
London, E.C.2.

21st March, 1967

Peat, Marwick, Mitchell & Co.
Chartered Accountants

BALANCE SHEET

HUDSON'S BAY COMPANY 31st JANUARY, 1967

	1967		1966	
	\$	\$	\$	\$
CURRENT ASSETS				
Cash on hand and in bank	2,334,000		2,586,000	
Short term securities at market value	—		8,499,000	
Accounts receivable—customers	23,652,000		19,833,000	
—subsidiaries	4,965,000		2,817,000	
Merchandise inventories (Note 6)	47,229,000	78,180,000	42,318,000	76,053,000
TRADE INVESTMENT at cost (Note 5)				
		213,000		213,000
INVESTMENT IN SUBSIDIARIES				
at cost less amounts written off		58,626,000		58,626,000
AMORY				
W. J. KESWICK				
Directors				
		\$137,019,000		\$134,892,000

		1967		1966
	\$	\$	\$	\$
CURRENT LIABILITIES				
Bank overdrafts	3,957,000		1,362,000	
Accounts payable and accrued expenses	21,585,000		24,366,000	
Income taxes payable (Note 4)	4,029,000		3,648,000	
Accounts payable to subsidiaries	369,000		342,000	
Proposed dividends	4,269,000	34,209,000	4,269,000	33,987,000
STAFF RETIREMENT		4,959,000		5,736,000
SHAREHOLDERS' EQUITY				
CAPITAL STOCK				
Authorized—£15,000,000				
Issued—13,553,428 ordinary shares of £1 each	40,659,000		40,659,000	
CAPITAL RESERVES				
General	14,748,000		14,778,000	
REVENUE RESERVES (Note 3)				
General	42,444,000	97,851,000	39,732,000	95,169,000
		\$137,019,000		\$134,892,000

NOTES ON THE ACCOUNTS

1. EXCHANGE

U.K. assets and liabilities have been converted at Can. \$3.00 to the £, and U.S. assets and liabilities at Can. \$1.07 to the U.S. \$1.00. Average rates of exchange for the year to 31st January, 1967, and the rates on 31st January, 1967, were Can. \$3.01 to the £ and Can. \$1.08 to the U.S. \$1.00

2. CAPITAL RESERVES

The increase in Capital Reserves arises from a profit on the sale of a fixed asset by a Subsidiary Company.

3. REVENUE RESERVES

As the amount of \$153,000 remaining in the Land Account is no longer material it has been merged with Revenue Reserves - General in the Balance Sheets.

4. TAXATION

The Parent Company ceased to be an overseas trade corporation on 5th April, 1966, from which date profits became liable to United Kingdom corporation tax, subject to double taxation relief for taxes paid in Canada. Corporation tax has been provided for at 40%. Transitional relief for the current year under Sections 84 and 85 of the Finance Act, 1965, is estimated to be approximately \$2,250,000. No provisions have been made for taxation which would arise if profits retained in and employed by subsidiaries were distributed.

5. TRADE INVESTMENTS

Hudson's Bay Company Investments Limited, a wholly-owned subsidiary, holds 4,008,656 shares (21.9 per cent.) of the total issued capital of 18,294,044 shares of Hudson's Bay Oil

and Gas Company Limited. Other shares are held by Continental Oil Company (65.7 per cent.) and by the general public (12.4 per cent.). The market quotation at 31st January, 1967, on the Toronto Stock Exchange was \$27.25 per share.

The other trade investment consists of 450,000 ordinary shares (16.6 per cent. of the total ordinary issued capital) held by the Parent Company in Hill, Thomson & Company Limited. The market quotation at 31st January, 1967, on the Stock Exchange, London, was 17/-d per share.

6. MERCHANDISE

Merchandise has been valued at the lower of cost or net realisable value.

7. NORTHERN STORES

The profit for the current year includes an additional four months' profit of \$621,000 in respect of 142 Northern Stores whose financial year end has been changed from 30th September, 1966, to 31st January, 1967. The year end of all Northern Stores is now 31st January.

For comparative purposes, the item "Northern Stores" \$7,641,000 shown in last year's accounts has been replaced by detailed figures of assets and liabilities.

8. DEPRECIATION

All buildings, equipment and transport have been depreciated on a straight-line method at rates that will fully depreciate the assets over their estimated useful life.

9. CONTRACTS FOR CAPITAL EXPENDITURE

Contracts for capital expenditure at 31st January, 1967, were Parent Company \$ nil (\$ nil), Subsidiaries \$6,456,000 (\$5,823,000).

10. FIXED ASSETS

Fixed assets comprise the following:	Land & Buildings	Equipment & Transport	Total
Cost	\$109,719,000	\$28,689,000	\$138,408,000
Accumulated depreciation	40,731,000	15,900,000	56,631,000
Net book value	<u>\$ 68,988,000</u>	<u>\$12,789,000</u>	<u>\$ 81,777,000</u>
Movements during the year were:			
Net book value at 31st January, 1966	\$61,536,000	\$10,305,000	\$71,841,000
Additions	10,170,000	6,024,000	16,194,000
Disposals	(564,000)	(81,000)	(645,000)
Depreciation	(2,154,000)	(3,459,000)	(5,613,000)
Net book value at 31st January, 1967	<u>\$68,988,000</u>	<u>\$12,789,000</u>	<u>\$81,777,000</u>

11. BONDS AND DEBENTURES OF SUBSIDIARIES

	1967	1966
Hudson's Bay Company Acceptance Limited		
6 per cent. debentures series "A" due 1980 (secured)	\$10,000,000	\$10,000,000
5¾ per cent. debentures series "B" due 1983 (secured)	10,000,000	10,000,000
These debentures are guaranteed by the Parent Company.		
Hudson's Bay Company Properties Limited		
5¾ per cent. first mortgage bonds series "A" due 1990 (secured)	15,000,000	15,000,000
Henry Morgan & Co. Limited		
4¾ per cent. sinking fund debentures due 1976 (unsecured)	1,060,000	1,985,000
Henry Morgan Properties Limited		
3¼ per cent. first mortgage sinking fund bonds due 1967	—	734,000
	<u>\$36,060,000</u>	<u>\$37,719,000</u>

12. DIRECTORS' EMOLUMENTS

	1967	1966
Fees	\$ 39,000	\$ 39,000
Other emoluments	288,000	276,000
Pensions	48,000	51,000
	<u>\$375,000</u>	<u>\$366,000</u>

As required by the Stock Exchange, London, the Company states that it is not a close company under the provisions of the Finance Act 1965.

COMPARATIVE SUMMARY

STERLING (IN THOUSANDS OF £)

YEARS ENDED 31ST JANUARY

	1967	1966	1965	1964
Sales	135,058	123,537	115,794	108,611
Profit before taxes	8,368	7,751	7,043	6,833
Taxation on profits	3,880	3,616	3,247	3,215
Net profit	4,488	4,135	3,796	3,618
Transitional relief	750	370	—	—
Cost of dividends	2,643	2,140	1,651	1,583
Fixed assets	30,695	27,383	24,801	24,022
Net current assets	30,325	31,559	26,972	25,745
Total assets	61,020	58,942	51,773	49,767

CANADIAN DOLLARS (IN THOUSANDS OF \$)

YEARS ENDED 31ST JANUARY

	1967	1966	1965	1964
Sales	405,174	370,611	347,382	325,833
Profit before taxes	25,104	23,253	21,129	20,499
Taxation on profits	11,640	10,848	9,741	9,645
Net profit	13,464	12,405	11,388	10,854
Transitional relief	2,250	1,110	—	—
Cost of dividends	7,929	6,420	4,953	4,749
Fixed assets	92,085	82,149	74,403	72,066
Net current assets	90,975	94,677	80,916	77,235
Total assets	183,060	176,826	155,319	149,301

Since over 90% of the net assets and earnings of the Company are in Canada, the Comparative Summary is also shown in Canadian dollars. For this
The figures of Sales in this summary exclude furs sold on consignment. The figures of Profit Before Taxes and Net Profit in this summary include

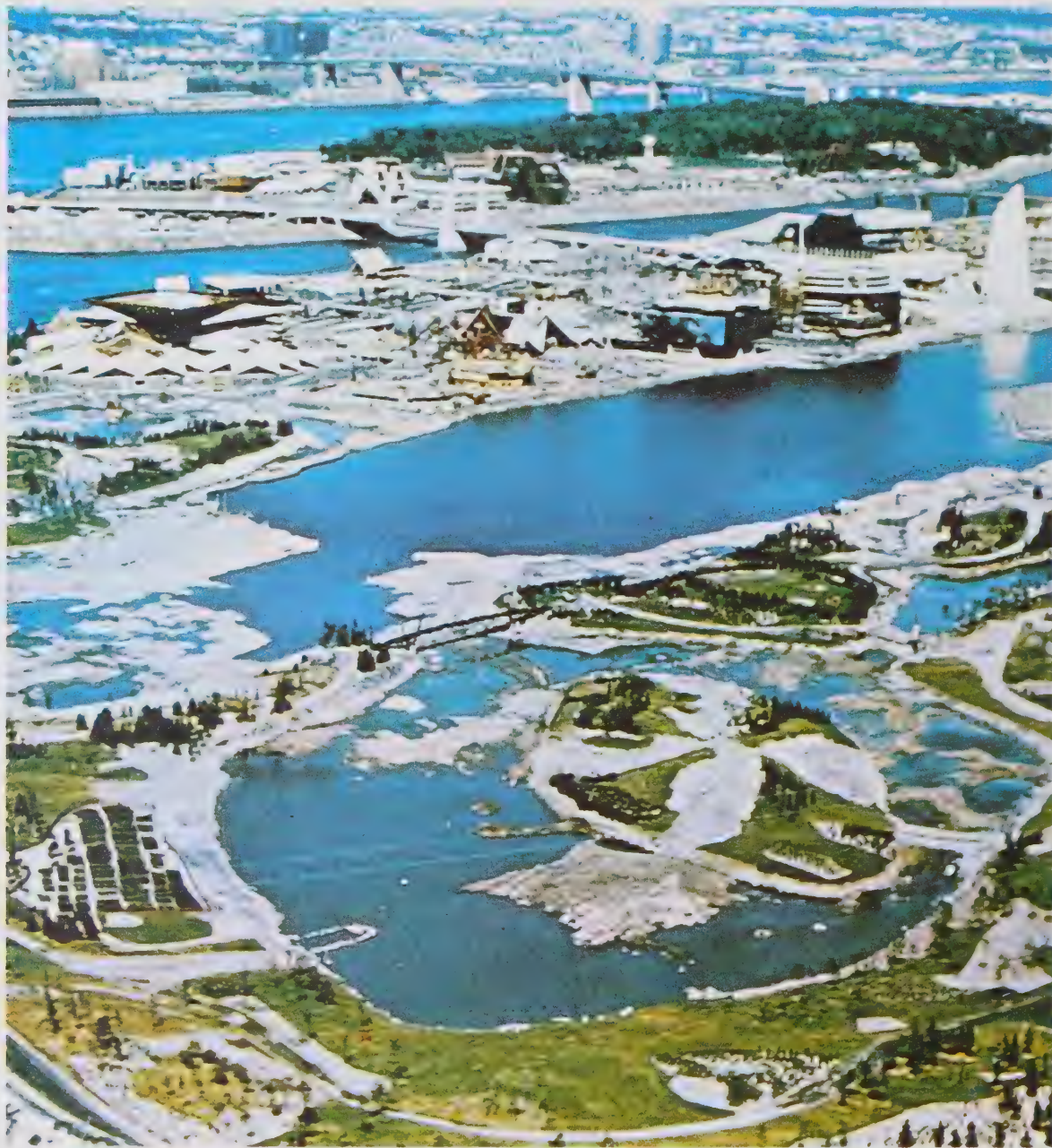
1963	1962	1961	1960	1959	1958
102,928	105,145	88,032	79,891	76,586	72,397
6,544	6,313	5,290	5,044	5,012	4,433
3,061	2,937	2,629	2,457	2,259	2,017
3,483	3,376	2,661	2,587	2,753	2,416
—	—	—	—	—	—
1,500	1,334	1,166	1,104	1,209	785
22,422	24,723	24,703	21,112	19,513	18,865
22,117	22,228	16,407	10,200	10,655	9,924
44,539	46,951	41,110	31,312	30,168	28,789

1963	1962	1961	1960	1959	1958
308,784	294,406	246,490	223,695	214,441	202,712
19,632	17,677	14,812	14,124	14,036	12,412
9,183	8,224	7,361	6,880	6,325	5,647
10,449	9,453	7,451	7,244	7,711	6,765
—	—	—	—	—	—
4,500	3,735	3,266	3,091	3,385	2,198
67,266	69,225	69,168	59,114	54,636	52,822
66,351	62,238	45,940	28,560	29,834	27,787
133,617	131,463	115,108	87,674	84,470	80,609

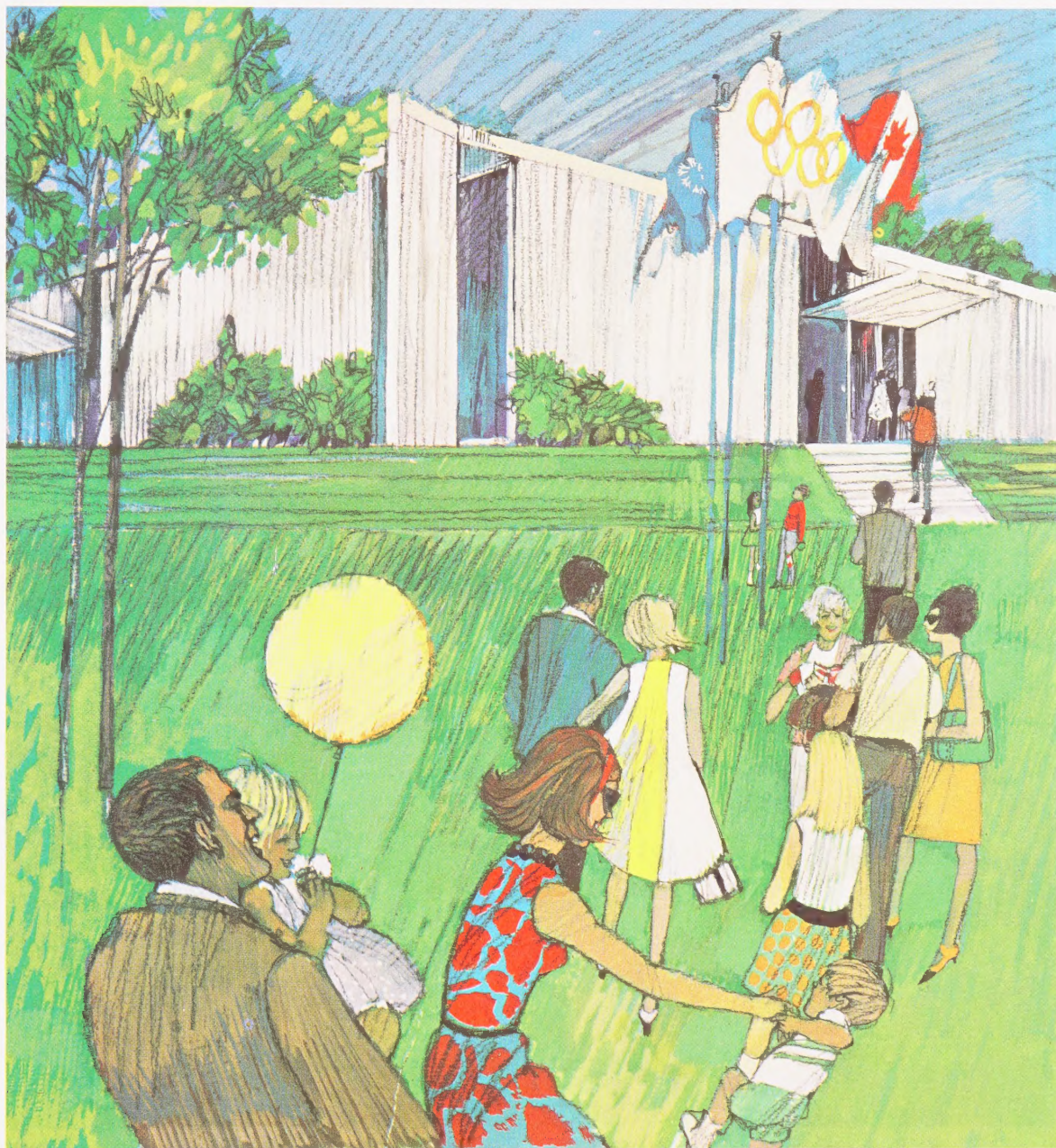
pose sterling and U.S. dollars have been converted to Canadian dollars at the rate of exchange adopted in the accounts of the individual years.

and Surplus.

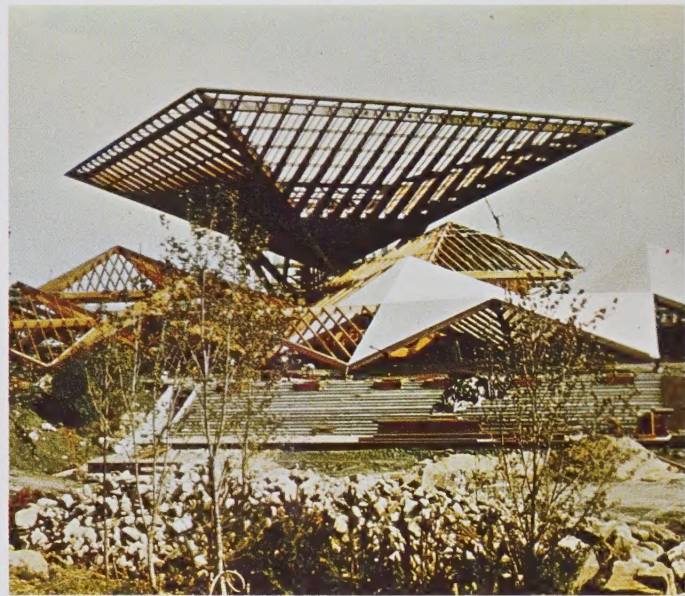
expo67 This year, 1967 marks the 100 Anniversary of Canadian Confederation. Celebrations throughout the country will be highlighted by Expo 67 in Montreal, which will run from April 28th to October 27th. Under the main theme "Man and His World", human progress and aspirations will be expressed through exhibits at national, industrial and theme pavilions at a spectacular island setting, shown below, just minutes from downtown Montreal.



As one of two major projects for the Canadian Centennial, Hudson's Bay Company is sponsoring "Olympic House" at Expo 67. The building, shown below, will contain an international Olympic exhibit entitled "Man at Play" during Expo and, later, it will serve as permanent headquarters for the Canadian Olympic Association.



Expo 67, most ambitious world exhibition ever held, will offer great variety in its attractions through the participation of more than 70 different countries. Diversity and originality of architectural approach are illustrated by the pavilions shown here: United Kingdom (top left), Canada (top right), Russia (lower left), Province of Quebec (lower right).



A six-month world festival of drama, ballet, opera, symphony, cinema and popular entertainment is planned for Expo 67. Included among the outstanding performers is Canada's top dance ensemble — Les Feux-Follets. Hudson's Bay Company's second major Centennial project was the co-sponsorship of a triumphant tour of Western Canada by this group early in 1967 during which they appeared in 15 cities and presented vignettes in 6 of the Company's stores.



